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TO: Ms. Arnetta McRae, Chair
Commissioners, Public Service Commission

Secretary John Hughes
Department of Natural Resources and Environmental Control

FROM: Mr. Sumner Crosby
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DATE: April 5, 2007

SUBJECT: Comments on Evaluation of Power Generation Bids to Date

Thank you for the opportunity to share my opinions with you, regarding the new power choices currently before your agencies. Although we no longer own our home in Wilmington, where we lived for 20 years, my wife and I intend to retire to our property in Lewes one day. The future of our communities' health depends on the decisions that you make today. Our future depends on making truly clean energy choices. First, we should aggressively pursue all forms of energy conservation and efficiency, demand side management, etc., and where these efforts are not adequate, all new sources of energy should be truly clean. The only current proposal on the table that offers truly clean energy is the Bluewater Wind proposal.

Delaware has an exciting opportunity to set a new standard in State government, to once again be the First State. It is time for us to break with the *status quo* of relying indefinitely on taking the prices offered to us by the largest power grid in the nation (PJM), dependent on the wildly fluctuating prices of the ever-more precious commodities of petroleum and natural gas. It seems to me that EURSCA was passed so that we would chart a new energy course for Delaware's future. We must be bold and move away from the *status quo*.

I have spent countless hours over the last several months acquainting myself with the many details of the science and the policy of power generation, transmission and the impacts that they have in marketplace, and in our communities. I by no means understand all of the details or implications; but it does not take a rocket scientist or a career civil engineer to see the flaws in the current evaluations of the bids.

I am deeply disturbed by the two contractors' evaluations of the bids, as their ranking criteria do not seem to match the intent of the EURSCA. If their scoring criteria accurately reflected the intent of the act, the Conectiv Alternative Bid, which seems to largely rely on buying power from the PJM grid, subject to all future price fluctuations that might affect PJM's generators, would not have come out on top. In fact, it should have been the lowest-ranked bid.

The contractors' evaluations seem reluctant to engage in long term power purchase agreements. I, too, would caution all decision-makers from committing to any long term contract that fundamentally depends on a fuel commodity that might wildly fluctuate over the contract term. The worldwide demand for both petroleum and natural gas is growing, while the supplies of these two fuels are decreasing, especially from parts of the world that we can consider friendly and politically stable. Additionally, the costs of burning such fuels is about to rise dramatically. With the very important U.S. Supreme Court decision, made on April 2, 2007 on the case of *Massachusetts v. EPA*, we should not proceed with ANY plans for new power generation that is based on the combustion of fossil fuels, as there are likely to be significant new carbon emissions costs in the future. It makes no sense to tie ourselves to any long term power purchase agreement that is founded in the use of any of the fossil fuels.

Many argue that it is time for Delaware to turn to the "cheap", "readily-available" supplies of coal in North America. The only thing that might be good about coal, as a source of energy, is that we do have a lot of it. But that is it. Nothing else about coal and its use for energy production is "cheap", "clean," or sensible.

Historically, coal has been one of the dirtiest, most unhealthy sources of energy that we have used. NRG deserves some credit for their commitment to a cleaner coal future; but their proposal is based on a technology which is far from ready for full-scale production. Until it is truly proven, and it can be shown to be cost-effective and as clean as the various claims made by the industry, any form of IGCC-based energy production should be regarded as experimental and a potentially huge liability to the ratepayers, as well as to the surrounding communities.

My own research has shown that the Carbon Capture and Sequestration process might add as much as 35% to 50% to the cost of basic power generation with an IGCC facility. Given the likelihood of future carbon allowances or taxes on the production of carbon dioxide, estimates by other public services commissions, for example Minnesota and South Dakota, have predicted an additional cost increase of 30% to 50%. These two sources of cost uncertainty are enough to reject all IGCC-based proposals at this time, not even considering the very significant environmental liabilities of even the cleanest IGCC plant with a state of the art CCS system in place. Given what we know today about these still-experimental technologies, it would be extremely irresponsible for you to commit the ratepayers of this state to such a highly uncertain cost and environmental health future.

Delaware (through its reliance on Delmarva Power and PJM) is already too dependent on fossil fuels to generate its power now. Given the uncertain short term and long term future of fossil fuel prices and availability, Delaware needs to move as quickly as possible toward a stable, clean energy program. There are great opportunities within the state's residential and commercial/industrial customer base for demand side management initiatives and efficiency programs, like what Senator McDowell and the Sustainable Energy Utility Task Force are suggesting. A great deal of "baseload" power can be captured using the kinds of programs that they're considering. You and your peers

should do all that you can to facilitate this very important conservation work, removing as many institutional and market barriers as you can.

Where conservation and efficiency will not adequately provide for future demands, we must choose truly clean, stable sources of power. The Bluewater Wind proposal offers Delaware a unique opportunity to set the tone for a cleaner energy path along the entire eastern seaboard of the U.S. Given the way fossil fuel prices have changed in the last few years, the long term predictability and price stability of offshore wind alone is enough to warrant aggressive development of this opportunity. Several states, such as Minnesota, Iowa, Texas, as well as their northern Plains neighbors, are aggressively pursuing onshore wind as a significant source of power in their states. Minnesota has recently committed to providing 25% of its power through sustainable energy generation, most principally through wind power.

Each of the three bids involves some sort of capital investment in a new generation facility. The Conectiv and NRG bids will also incur significant fuel-related costs, to be borne by the ratepayers. Bluewater Wind's proposal will have no environmental emissions, and its fuel is free, as long as the sun shines somewhere on the planet.

Although it may not always produce its full nameplate-based capacity of power, Bluewater's proposal would meet most, if not all, of Delaware near term future needs, especially tied with the conservation measures mentioned above. Although it will be important for Bluewater to properly site their facility, so as to minimize impacts to wildlife, the expected impacts from such a wind generation facility are minimal, when compared to the much greater set of impacts associated with either of the fossil fuel-based alternatives.

If we are to truly follow the vision and intent of Delaware's legislators in the EURSCA, we cannot simply do nothing. Nor should we do as each of the two contractors have suggested in their evaluations: doing something almost indistinguishable from the *status quo*. Instead, we must move forward with a stable, long term program centered on clean energy: truly clean energy. The Bluewater offshore wind project is the only one of the three bids that meets the intent of the EURSCA.

We should not delay. It is time to get to work, as quickly as possible, setting Delaware on a cleaner, more stable energy course.

Thank you for your wisdom, and for taking responsibility for the future of the First State.

Sincerely yours,

Sumner Crosby